

**State Employee Benefits Committee**  
**March 29, 2010, 2:00 p.m.**  
**Tatnall Building, Room 112**  
**Dover, Delaware**

The State Employee Benefits Committee met on March 29, 2010 at the Tatnall Building, Room 112, Dover, Delaware. The following Committee members and guests were present:

Ann Visalli, Director, OMB  
Brenda Lakeman, OMB, Director,  
Statewide Benefits  
Faith Rentz, OMB, Statewide Benefits  
Ann Skeans, OMB, Statewide Benefits  
Mary Thuresson, OMB, Statewide Benefits  
Vicki Ford, OMB, Financial Operations  
Casey Oravez, OMB, Financial Operations  
Tina Hession, OMB, PHRST  
Mike Morfe, AON Consulting  
Mike Casey, AON Consulting  
Carolyn Berger, Justice, Supreme Court  
Steve Kubico, Office of Controller General  
Lori Christiansen, Office of Controller General  
Russ Larson, Controller General  
Crystal Webb, DHSS, Public Health  
Julian Woodall, Department of Insurance  
Velda Jones-Potter, State Treasurer  
Tom Cook, Secretary of Finance  
Dave Craik, Office of Pensions  
Andrew Kerber, Department of Justice  
Tom Chapman, Chair, SEBAC  
Mary Cooke, DOE

Donna Mitchell, City of Dover  
Kim Hawkins, City of Dover  
Mary Pat Urbanik, U of D  
Toni A. Reed, U of D  
Timothy Barchak, DSEA  
Judy Anderson, DSEA  
Stephen P. Smith, DSEA, retired  
Jim Testerman, DSEA, retired  
James Harrison, DSEA, retired  
Mike North, Aetna  
Katherine Impellizzeri, Aetna  
Julie Caynor, Aetna  
Drew Brancati, BCBSD  
Faith Joslyn, BCBSD  
Chris Aldrich, BCBSD  
Sandy Richards, AFSCME  
John Kenyon, AFSCME  
Vincent McCann AFSCME  
Joe Morocco, HMS  
Karol Powers-Case, DRSPA  
Wayne Kee, Dominion Dental  
David Leiter, State Employee, DHSS

Agenda Items Discussed:

**Introductions/Sign In**

Ms. Visalli called the meeting to order at 2:04 p.m. On the Agenda under Other Business there will be a brief overview of Federal Healthcare Reform. There were some articles in the newspapers on Sunday concerning Med Solutions. At the end of the meeting this will be discussed. Introductions around the room followed.

**Approval of Minutes**

Ms. Visalli asked for a motion to approve the March 19, 2010 SEBC minutes. Controller General Larson made the motion to approve the minutes and Justice Berger seconded the motion. The minutes were approved with unanimous voice vote.

## **Other Business**

### **Federal Healthcare Reform – Mike Casey, AON (handout)**

A brief overview was presented that included the following:

- Why Do Health Care Costs Rise?
- What Makes A Health Plan Efficient?
- What Drives Price for Medical Service?
- National Healthcare Reform Passage
- Key Provisions of the Legislation
- National Healthcare Timeline of Key Provisions
  - By year, from one year after enactment through 2018

Questions and answers were intermingled. Ms. Visalli stated there will be many questions as time goes on and more details become available. All were told to feel free to ask questions and they will get answers. Mr. Casey emphasized they will continue work to keep costs under control.

### **Group Health Plan FY2011 Planning**

Ms. Visalli stated discussions would continue from the last meeting. Based on that discussion and feedback from the Committee, a Proposed July 1, 2010 Rate Sheet (handout) was prepared. The rates were explained in detail. The column “Additional Employee Contributions Effective 7/1/2011” represents the minimum increase employees would see beginning July 1, 2010 if the cost share was to remain at the same level as FY2010. Ms. Visalli proposed that this increase be paid by the State during FY2011 and will not be assessed to the employee before July 1, 2011. This was mentioned in the Governor’s State of the State Address. This means the employee will pay the same beginning July 1, 2010 through June 30, 2011. The total monthly rate and amounts to be funded by the state for FY2011 are essentially the same as the last meeting. The State still maintains a free plan.

### **Public Comments**

Mr. Smith, DSEA Retired, said he heard there would be Federal funding in the amount of \$10 billion to cover 80 percent of the cost of early retirees’ claims, ages 55-64. With the extra millions coming in, how will that affect next year? Mr. Morfe explained that the provision would not likely become effective until 90 days after passage of the law. The review and determination of eligibility for this funding will be done annually. We would expect the transfer of funds to be similar to the Part D retiree subsidy. The law has some vague language about the funds coming back to benefits plans. Until regulatory guidance clarifies exactly what that means, they will not know exactly how to implement. The \$10 billion in the original bill was cut down to \$5 billion in the reconciliation bill. It’s unclear how long that money will last. Mr. Smith asked if it would cover the deficit. Mr. Morfe said it’s unlikely the amount will be as great as \$55 million.

Mr. Barchek, DSEA, noted they appreciate the thoughtful discussions that are taking place regarding the State Employee Health Plan. They support the efforts of the SEBC to request additional funding from the Legislature, as well as, to cover the employee portion of the premium increase to get this plan through another tough year. With the Spring break of the Legislature beginning at the end of this week, they thought this would be the appropriate time to enter testimony on possible legislative recommendations by this committee.

If SEBC is considering recommendations regarding reduced health benefits for new employees, they do not believe legislation of this magnitude should be rushed into, nor is there sufficient time for the implementation. There needs to be a thorough review of all options. A plan should not create a permanent underclass of employees who have reduced health care for the duration of their careers. Some experiences with multi-tiering of benefits have resulted in unfavorable health plans for all members. Any consideration of benefit comparisons should keep in mind an employee's total compensation package, for neighbors in surrounding states may have slightly less generous health plans, they may have much more generous wage schedules. With any change in benefits we must keep in mind that education is becoming increasingly competitive with higher and higher expectations. If we drive our benefit package too low with already moderate wages, we will have difficulty recruiting the best young educators.

Ms. Powers-Case, DRSPA – passed with no comments.

Mr. Leiter asked for explanation of the Medicare Part D monies, if it would be put back into the fund and if it was a one-time thing. Ms. Visalli assured him it does go into the health fund and they are not proposing to take it out. It is not ongoing and permanent, but it is expected to be more than one time. Mr. Leiter stated the rate changes become harder and harder on low paid employees. Everyone is taking cuts. Last year pay was cut. He agreed with Justice Berger's comment that nothing ever comes back once the state takes it away. Everything continues to cost more. What about pay grade one employees making \$17,000? Mr. Morfe explained that as a result of Health Care Reform there is a subsidy coming several years from now. Families who make less money will get more help. There will be a scale for help, referring to families who make four times the poverty level or below, which is about \$88,000 today. Mr. Leiter also asked about the up to 30 percent kickback for Wellness Programs. Mr. Casey explained how it will work and stressed it will not go into effect until 2013-2014. There is no immediate help.

#### **SEBAC Comment – Tom Chapman, Chair, SEBAC**

The SEBAC reiterated their comments from the last meeting.

Being no further comments Ms. Visalli stated they needed to vote on the Proposed Rates. Mr. Kubico asked for more clarification on the rate sheet, which Ms. Visalli explained. Secretary Cook made a motion to approve the FY11 Rates noting the State will fund the "Additional Employee Contributions Effective 7/1/2011" for one year only. Barring any additional funding through the General Assembly, the "Additional Employee Contributions" and "Amt. to be Funded by State Appr or Reserve" would be funded on a one time basis using the Health Fund reserve. Should other funding become available, the Health Fund Reserve will not be used. Controller General Larson seconded the motion. Questions and answers followed. State Treasurer Jones-Potter asked what the total impact would be on the Reserve. Ms. Visalli said it depended on enrollment as that shifts. The estimate for All Funds is about \$37.5 M. Justice Berger was going to propose an amendment to the motion concerning the state picking up the additional employee contributions for "one year only", however, she would prefer they leave it open for the possibility of some other options. After Ms. Visalli explained it would have no bearing in FY12, the amendment proposal was withdrawn. Secretary Cook added they are raising the rates on this fiscal year. He stressed they need to concentrate on containing costs. If they do that over the coming year it can reduce or minimize the impact for the following year.

Ms. Visalli stated they had a motion and a second. Being no additional questions, she asked for a voice vote for all in favor. Justice Berger, Secretary Cook, Controller General Larson, State Treasurer

Jones-Potter and Ms. Webb voted in favor of the motion. It was noted Mr. Woodall opposed the motion. The motion carried.

#### **Health Management Request for Proposal Award Recommendation – Faith Rentz (handout)**

A detailed overview was given of the recent work conducted to find a new vendor for administering an integrated Wellness/Disease Management Program. Questions and answers followed. Controller General Larson asked if the year over year increases in expenditures occurs because of utilization and would the new program help control costs. Ms. Rentz stated ten percent of Alere's fees are at risk if they don't improve or reduce our costs. It was noted there will be a \$1M savings over this year.

#### **RECOMMENDATION**

“RESOLVED that with respect to the award of a contract pursuant to the Request for Proposal (RFP) for administration of the State of Delaware's Integrated Health Management Program for Disease Management and Wellness, the Proposal Review Committee recommends to the State Employee Benefits Committee as follows:

“Contract award for Integrated Disease Management and Wellness for an initial term of two years with three one year renewal options beginning July 1, 2010. Rates shall be guaranteed for three years as provided in the RFP response and best and final pricing. The State shall pay the monthly administrative fee for both wellness and disease management based upon per employee per month pricing. Such award shall be subject to a finalized contract which shall include proposed Performance Guarantees intended to place 20% of total fees at risk annually. Additionally, prior to July 1, 2010, Alere and the State of Delaware shall develop a year one program that will not include incentives paid in advance for engagement and propose to the SEBC a two year program that will include suggestions for increasing engagement and compliance with the use of incentives at the end of years one and two.”

Ms. Visalli asked for a motion to approve the Recommendation for Award of Contract as stated. Controller General Larson made the motion and Secretary Cook seconded the motion. Upon unanimous voice approval the motion passed.

Ms. Visalli asked all to continue to put forth ideas on how to hold costs down. COAD, who represents some Department of Correction employees, asked if stress tests and other Wellness Programs can be held offered at work sites so more employees can benefit. She explained that there is an effort underway to offer Wellness programs in ways that reach as many employees as possible.

#### **Other Business**

Ms. Visalli noted that concerning Med Solutions, the SEBC approved Blue Cross' use of Med Solutions for utilization management related to high tech radiology testing beginning July 1, 2010. Aetna already uses Med Solutions for these services. There were articles in the newspapers over the weekend about their denying tests. Blue Cross Blue Shield has suspended denials on nuclear radiologist stress tests for the short term.

Ms. Lakeman spoke with the Insurance Commissioner this morning and she stated they will be doing a market conduct exam on all of the providers that are utilizing Med Solutions. She will also be asking the National Insurance Commission if there are any other states that are experiencing any other kinds of difficulties with this type of utilization review. She feels that the SEBC made the right decision to engage in review of these types of tests to ensure patient safety. Justice Berger commented to the extent there are denial issues; the SEBC must make sure the appeal process is available and prompt in reviewing appeals related to denials of these tests. Ms. Lakeman confirmed there is an expedited appeal process in place. Blue Cross has explained that the SEBC has the option to opt out of Med Solution's review of cardiac stress testing as well as to opt out of the entire utilization management program.

Controller General Larson asked if the Group Health Program currently utilizes Med Solutions. Ms. Lakeman responded that Aetna already utilizes them for high tech imaging for the Aetna HMO plan. As of July 1, 2010 the SEBC voted for the same program to apply to all Blue Cross plans. This information will be included in the Open Enrollment materials. Blue Cross currently conducts in-house utilization management on tests that are not considered high tech imaging. State Treasurer Jones-Potter asked for clarification on what it would mean if we chose to opt-out. Ms. Lakeman explained Blue Cross would continue to do the utilization management in-house, but this would not include high tech imaging as they do not have expertise in this type of testing. Ms. Visalli noted that as testing becomes more sophisticated, members and physicians are inclined to utilize these sophisticated and costly alternatives; however, it may not always necessary and that is why Med Solution's program is helpful in determining appropriateness and managing costs associated with these tests.

Ms. Visalli reminded everyone the next SEBC meeting will be April 26<sup>th</sup> at 2:00 p.m. She then asked for a motion to adjourn. Controller General Larson made the motion and Secretary Cook seconded the motion. Upon unanimous voice approval the meeting adjourned at 3:07 p.m.

Respectfully submitted,

Mary K. Thuresson  
Administrative Specialist  
Statewide Benefits Office, OMB